



Auditor Training

Audited Financial Statements, AUPs, and General

**South Carolina
Department of
Disabilities and
Special Needs**

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About Us

South Carolina Department of Disabilities
and Special Needs

Session Agenda

- Session is broken up into two main parts
 - Financial statements and general topics
 - Agreed-upon procedures
- We will break mid-way through presentation for 10 minutes
- Survey questions are provided through a link to permit issuance of CPE credit
- CPE credit certificates will be issued
- This session is being recorded and our intention is to share it on our YouTube channel
- We will be covering:
 - General changes made to the audit directives
 - COVID 19 accounting considerations
 - List of deficiencies noted in audits – DDSN specific
 - Yellow Book expectations
 - Reporting requirements
 - Agreed-upon procedures
- Questions at the end of each session – if time permits
- Survey will be sent to participants requesting feedback

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Training Objectives

Covering 275-04-DD and 275-06-DD Audit Directives

Increasing Auditor Awareness

- SCDDSN funding systems are unique and there is nowhere for auditors to obtain training
- Goal is to increase reliability and comparability of financial statements
- Financial statements are foundational information used for Medicaid Cost Reporting
- Medicaid Cost Reporting is extremely important

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Significant Changes to Directives

What changed that you need to be aware of

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Significant Changes Made to Directives

- Changes to organization to directive
- Added this training opportunity/expectation
- Extended due date for audited financial statements by 30 days to decrease time compression issues
- Added the ability for AUP to be done during an alternate time of year to permit load balancing
- Added requirement to follow generally accepted government auditing standards (the “Yellow Book”)
- Moved many procedural requirements that were in the audit of the financial statements to the agreed-upon procedures engagement
- Added clarifying language in the agreed-upon procedures
- Removed many consumer funds procedures that were not value added and replaced them with others with a goal to not add additional time requirements for the CPA
- Added clarifying language to expectations related to
 - Room and board requirements
 - Cost allocation requirements
 - Procurement testing requirements
- Added a requirement that CFO approve any early implementation of accounting standards
- Refined the supplementary schedules reporting requirements and format
 - No longer a special format for administration reporting
 - Removed requirement to list out all of the details of the cost allocation/inclusion of the cost allocation itself
 - Added new financial statement lines to assist preparers in ensuring reporting is being done correctly
 - Provided example schedule of questioned costs with examples
- Added new supplementary schedules
 - Room and board calculation – auditee should prepare
 - Special grants reconciliation – auditee should prepare
 - Combining schedules if consolidating or blending

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COVID – 19 Considerations

Accounting, Auditing, and Disclosure Considerations

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COVID 19 Accounting, Auditing, and Disclosure Considerations

GASB

- Some providers may have multiple identities – 501 c 3 letter and County Ordinance
- If an entity has a 501 c 3 letter, then they may have gotten funds through the PPP, EIDL, and/or be claiming tax credits associated with the CARES Act and the FFCRA
- Accounting, Compliance, and Disclosure considerations
- Accounting for Day Program activities in Residential Programs
- PPP and EID loans
 - Grant or loan?
 - When is grant/loan forgiveness recognized?
 - Disclosure
 - Extraordinary and special items considerations

GASB

- Payroll tax deferral and credits
 - Proper accrual of 6.2% Social Security deferral
 - Proper accounting for credits claimed
 - Receivable for credit and liability for social security?
 - Credits claimed – Grant revenues? Reduction of expense?
- Capital asset impairment/idle asset considerations
- Contingent liabilities for forgivable loans
- Going Concern considerations
- Subsequent events considerations
- Management's Discussion and Analysis
 - Required discussion of currently known facts, decisions, or conditions expected to have a significant effect on financial position or results of operations

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COVID 19 Accounting, Auditing, and Disclosure Considerations

FASB

- For profit and non-profit entities
- Entity may have gotten funds through the PPP, EIDL, other loan/grant programs, and/or be claiming tax credits associated with the CARES Act and the FFCRA
- Accounting, Compliance, and Disclosure considerations
- Income tax accrual and deferral considerations
- Mortgage, lease, and other loan modifications or restructuring considerations
- PPP and EID loans
 - Lack of GAAP – might have to use IAS
 - Grant or loan?
 - When is grant/loan forgiveness recognized?
 - Disclosure
 - Gain contingency?

FASB

- Payroll tax deferral and credits
 - Proper accrual of 6.2% Social Security deferral
 - Proper accounting for credits claimed
 - Receivable for credit and liability for social security?
 - Credits claimed – Grant revenues? Reduction of expense?
- Capital asset impairment/idle asset considerations
- Contingent liabilities/gains for forgivable loans
- Going Concern considerations
- Subsequent events considerations

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COVID 19 Accounting, Auditing, and Disclosure Considerations

- Auditing Considerations
 - Auditee is to identify federal awards
 - Auditee is to prepare the Schedule of Federal Awards Expended
 - Federal awards inclusion? For-profit considerations.
 - Loans and tax credits
 - CFDA number
 - Compliance supplement
 - Internal Controls considerations
 - Supplement not supplant

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CPE Attendance #1 -

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Problems Noted in Audits

Background Information from Review of Audits

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Audit Report Deficiencies/Concerns – Not All-Inclusive List

- Not reporting under Yellow Book
- Enterprise accounting being used improperly
- Potential missing component units and subsidiaries
- Blended component units being reported in capitated programs schedule
- Missing or inadequate related party disclosures
- Missing combining and/or consolidation schedules
- Supplemental schedules not following required format
- SCRS 1% credit not reported correctly
- Residential Programs and Waiver programs being consolidated into a single column
- Incorrect reporting of SCDDSN revenues – grant type, credit reports, etc.
- Improper recording of Waiver credit reports and respite recoupments – expense/revenue netting
- Unidentifiable recording of SCDDSN special grants
- Not identifying all federal funds correctly Accruals of Waiver direct billed credit reports
- Reporting Waiver credits in residential programs
- Allocating Day Program costs to Waiver programs
- Improper reporting of care and maintenance for ICFs
- Cost allocations issues
- No recording of potential paybacks to SCDDSN
- Improper depreciation recorded – useful lives and method
- Improper identification and reporting of idle assets and those held for sale
- Improper allocation of purchase price to land

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General Information

Background Information from our Audit Directives

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Comparison of Directives

Two Directives Cover Audit Requirements – DSN Boards and Contract Service Providers (QPL)

275-04-DD – DSN Boards

- All DSN Boards are required to:
 - Have an audit of their year-end financial statements performed by an independent CPA in accordance with the Yellow Book
 - Ensure sub-recipients receiving \$250,000 or more have an audit of their year-end financial statements performed by an independent CPA in accordance with the Yellow Book
 - Have an agreed-upon procedures engagement performed by an independent CPA – Yellow Book not required
 - Submit a corrective action plan for any findings as a result of the audit of financial statements and agreed-upon procedures
 - Submit a statement that the auditor complied with the audit directive
 - Submit a statement identifying those services that were a threat to independence

275-06-DD – Contracted Service Providers

- Contracted Service Providers are required to:
 - If revenues (including SCDDSN and SCDHHS revenues) are over \$250,000 during their fiscal year:
 - Have an agreed-upon procedures engagement performed by an independent CPA – Yellow Book not required
 - If they meet the revenue threshold above and provide residential services:
 - Have an audit of their year-end financial statements performed by an independent CPA in accordance with the Yellow Book and/or PCAOB
 - Submit a corrective action plan for any findings as a result of the audit of financial statements and/or agreed-upon procedures
 - Submit a statement that the auditor complied with the audit directive
 - Submit a statement identifying those services that were a threat to independence

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Comparison of Directives – continued

Both Directives Contain the Following:

- Audit reports are due within 120 days of the year-end
- Reports on Applying Agreed-upon Procedures (RoAAP) are due within 90 days of the period-end tested
- Providers have a one-time option to elect an alternative year-end for agreed-upon procedures
 - Election is due by July 31, 2020
 - Must be in writing, on letterhead, and signed by the Executive Director/CEO/President
 - Must be submitted to the CFO – electronic submission is acceptable
 - Initial period can be up to 18 months
 - Subsequent periods to be tested are for the following 12 month periods
- Corrective Action Plans (CAP) are due within 20 business days after issuance of the findings
- The CFO must approve early implementation of any accounting standards – concerned about consistency in Medicaid Cost Reporting and cost analysis
- Requests for extensions are available for all deliverables and must be requested from the Director of Internal Audit
- Contract reductions are assessed for late filing of the audited financial statements, the RoAAP, and CAPs – including approved extensions
- Five business day grace period is granted before penalties begin

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Overview of Financial Audits

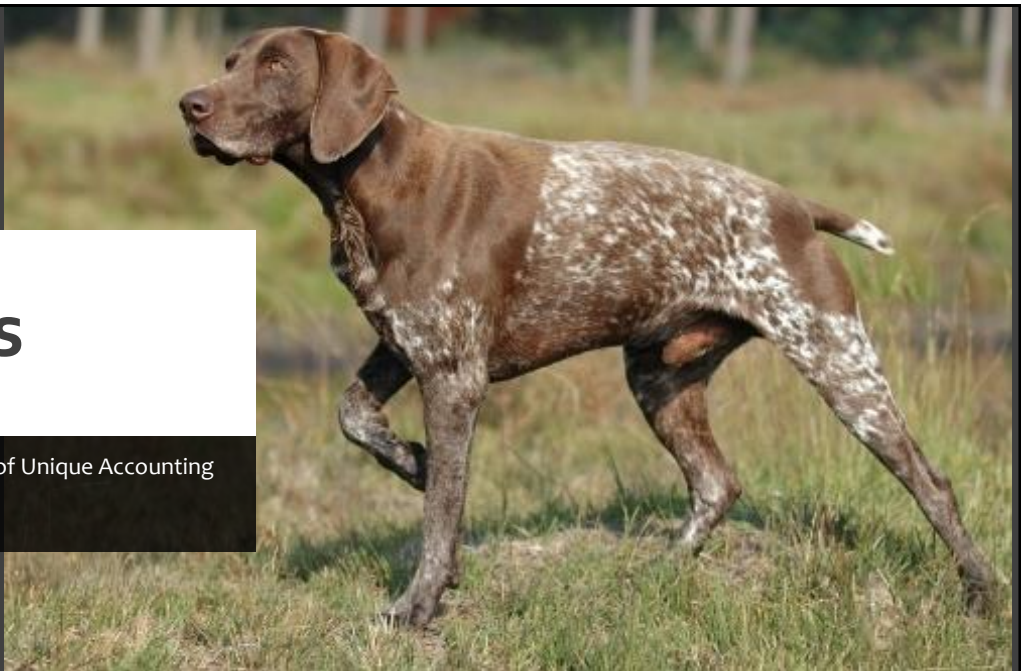
- Financial Statement reporting is foundational for Medicaid Cost Reports
- Most providers do not adjust items from expense in the Audited Financial Statements so what is reported in the financial statements becomes our reported Medicaid allowable costs
- Adjustments being made related to removal of room and board costs, offsetting expenses with revenues, removing non-operating revenues, and removing non-allowable costs.
- Medicaid allowable costs issues:
 - Cost allocations
 - Adult Day program allocations – offsetting of duplicate vehicle costs
 - Depreciation lives, methods, and capitalization limits
 - Reporting of losses from disposal of assets
 - Reporting of OPEB
 - Reporting of Pension Liabilities
 - Room and board costs
 - Other non-allowable expenses
- General fund/Other should be used to capture non-allowable costs.

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Pointers

The Following Is a List of Unique Accounting Considerations



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SCDDSN Nuances to Consider

- Miscellaneous Reporting Considerations
 - HUD programs and other blended component units/consolidated entities should not be reflected in the DDSN program supplementary schedules (capitated, non-capitated, or special grants).
 - Supplementary Schedules must be as follows:
 - General fund, if applicable
 - Capitated Programs
 - Non-capitated Programs
 - Special Grants – grants not tied to a specific program
 - Intermediate Cost Centers
 - Other
 - Room and Board Computation
 - Schedule of Special Grants
 - Multiple programs cannot be combined into one column – for example two ICF/IDs cannot be combined into a single column in the supplementary schedules
 - DDSN Residential Programs that are HUD programs must be labeled as such
 - Combining/consolidation schedules should be provided.
- Miscellaneous Reporting Considerations
 - When homes convert from one type of facility to another the costs need to be separated based on the date of licensure change
 - Waiver costs should be broken out into the three different waiver programs – ID/RD, CS, and HASCI
 - ID/RD and HASCI Case Management are no longer required to be reported as separate cost centers
 - SCDDSN program revenues should reconcile to final contract amounts
 - Capitated revenues can be allocated to programs however the Provider wants to allocate them
 - Non-capitated revenues must be reported in the program they are contracted for
 - The 1% credit for the South Carolina Retirement System should be reported as revenues in each program based on pro-rata share of total retirement expense.

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SCDDSN Nuances to Consider -continued

- Miscellaneous Reporting Considerations:
 - Room and board computation schedule
 - Providers have submitted this schedule for years
 - Providers should prepare this schedule for the auditor
 - The current Directive requires the calculation to be based on the audit report – (audited trial balance).
 - The audit report is not granular enough to ensure the calculation is correct and does not permit enough detail for us to properly review room and board
 - Auditors should do the following:
 - Verify that the audited balances used in the schedule agree with the audited trial balance
 - Verify that the Provider properly identified and included room and board expense accounts
 - Verify that any allocated costs are reasonable
- Miscellaneous Reporting Considerations:
 - Special Grant Schedule
 - Having a very hard time identifying these grants on audit reports.
 - Impossible to identify the amount expended towards these grants the way they are being reported now.
 - Many SG grants are for HASCI residential services and we need to be able to identify HASCI residential expenses spent towards these grants.
 - Provider should be able to prepare this schedule for you to audit.
 - Determine all SG grants received by the Provider during the fiscal year.
 - Determine all SG grants received by the Provider in the prior year that had unearned amounts reflected in liabilities at the beginning of the year being audited.
 - Determine the amount expended on each SG grant.
 - Report the amount remaining at year-end that is unearned.
 - SCDDSN Confirmations should be easier to use this year. Format is being revised.

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CPE Attendance #2 -

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SCDDSN Nuances to Consider – continued

- Miscellaneous Reporting Considerations
 - Reconciliation to Cost Reports and Cost Statements
 - Been a requirement for many years
 - This is only required when the costs per the audited financial statements do not agree with the same number on the cost reports.
 - Removed the requirement for auditors to review Schedule R to verify administrative costs allocated to room and board are excluded from Medicaid Allowable Costs. SCDDSN will do this.
 - Supplementary Schedules should reflect program revenues and expenses on the same schedule now.
 - Administration/Intermediate Cost Center schedule contains the same line item detail as the other schedules now.
- Miscellaneous Reporting Considerations
 - Supplementary Schedule of Questioned Costs should be provided for any questioned costs identified
 - Supplementary Schedules should be limited to the line items provided in the schedule attached to the Directive
 - Schedules are available in Word and Excel for those that would like to have them. They are on Business Tools under Forms and Directives - 200 Series.

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SCDDSN Nuances to Consider - continued

- Miscellaneous Reporting Considerations
 - Capital Assets – Medicaid rules or have to adjust
 - Governments may use any established depreciation method. Depreciation may be based on the estimated useful life of a class of assets, a network of assets, a subsystem of a network, or individual assets. For estimated useful lives, governments can use (a) general guidelines obtained from professional or industry organizations, (b) information for comparable assets of other governments, or (c) internal information. In determining estimated useful life, a government also should consider an asset's present condition and how long it is expected to meet service demands. [\[GASBS 34, ¶161\]](#)
 - Depreciation should be based on useful lives outlined in the AHA Estimated Useful Lives of Depreciable Hospital Assets.
 - The straight-line method of depreciation should be used.
 - A half-year of depreciation should be claimed in the year of acquisition and year of disposal
 - The maximum capitalization threshold is \$5,000, but Agency size should be considered for smaller levels.
 - Purchases of homes and land should properly identify land values on the depreciation schedule and in capital asset accounts.
- Miscellaneous Reporting Considerations
 - Capital Assets
 - .702-6 Q—Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?
 - A—Authoritative pronouncements do not address the manner in which a capitalization policy should be established and applied. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. It may be appropriate for a government to establish a capitalization policy that would require capitalization of certain types of assets whose individual acquisition costs are less than the threshold for an individual asset. Computers, classroom furniture, and library books are assets that may not meet the capitalization policy on an individual basis, yet might be considered material collectively.
 - DDSN considering requiring capitalization of groups of assets.

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SCDDSN Nuances to Consider – continued

- Miscellaneous Reporting Considerations
 - Settlements and Recoupments Must be Recorded:
 - Adult Day Program attendance
 - Three-month reserve excess
 - Spending paybacks
 - Capitated contracts – 90%
 - Non-capitated contracts – 95%
 - Special grants – 100%
 - State funded community supports
 - Care and maintenance settlement
 - Contract compliance recoupments
 - Regional fiscal agent recoupments
 - Accrued Annual Leave/Compensated Absences
 - Pay rate used should be the rate as of the end of year.
 - Pay raises effective the pay date in July are actually effective in June and these rates should be used
 - Liabilities must include FICA and SCRS/retirement contributions
- Miscellaneous Reporting Considerations
 - OPEB and SCRS Net Pension expense should be:
 - Allocated to each program using a reasonable allocation method
 - Reported in the appropriate expense category in fringe benefits – non-allowable costs to be pulled out
 - Retiree health insurance premiums paid should be shown as program costs not in administration unless premiums are for a retired administrative personnel – allowable costs

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SCDDSN Nuances to Consider - continued

- Waiver Direct Billed Credit Reports
 - Represent Waiver approved services billed direct by the Medicaid Enrolled Providers
 - SCDDSN recoups these from providers three months subsequent to the month of the report
 - The month of the report and underlying dates of service are to be ignored. These should not be accrued
 - Recoupment only from ID/RD and CS Waiver Programs
 - Are to be reflected as a contra-revenue in the supplementary schedules in ID/RD and CS Waiver departments only.
 - These should not be reported in expenses and should not be reflected in any other programs other than the Waiver programs
- Medicare Part D
 - Represents average drug costs for those individuals that are dual eligible – Medicare and Medicaid
 - These should not be accrued
 - Recoupment only from ID/RD Waiver Program
 - Is to be reflected as a contra-revenue in the supplementary schedules
- Respite Recoupment
 - If Provider participates in Regional respite program, then SCDDSN recoups from Provider their share of the amount paid by Charles Lea Center or Jasper County DSN
 - Amounts recouped lag behind the underlying payroll period
 - Provider must accrue amounts paid by the Regional respite program, but not yet recouped by SCDDSN
 - Amounts owed consist of gross payroll, FICA, and unemployment costs.
 - All amounts recouped should be reported in the appropriate Waiver program – ID/RD or CS – as follows:
 - Contractual Services
 - Fiscal agent respite care
 - Fiscal agent self-directed care
 - Amounts must not be included in expenses used to allocate indirect costs to the Waiver programs

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SCDDSN Nuances to Consider – continued

- Intermediate Care Facilities (ICF/ID)
 - Bed fees should not be recorded as an expense – reduces revenue
 - Care and maintenance (consumer fees) revenues
 - Amount is stated in the capitated contract
 - There is a settlement for any amount over or under the contract amount
 - Revenues on the financials must match the total contract amount
 - Allocation across programs
 - Amounts paid by SCDDSN Regional Center is one month behind
 - For Care and Maintenance to be properly stated on the audit the following should be true:
 - Revenues are reflected in care and maintenance
 - Revenues in total match the contract amount
 - A receivable is shown for the amount of care and maintenance collected in July for June
 - An anticipated settlement is recorded as a Due to/from SCDDSN for the amount collected (including year end receivable) over/under the amount in the contract
 - Day Program and/or Supported Employment costs must be allocated
- Community Training Homes II (CTH 2) and Community Residential Care Facilities (CRCF)
 - Room and board receivables should be recorded
 - Room and board revenues should be based on sliding scale amount due from consumers not based on the total cap
 - SNAP amounts used by the provider to purchase food for the residence should be recorded in room and board revenue by home. SNAP benefits are an unearned benefit like SSA, SSI, VA, etc.
 - Food costs should be grossed up to reflect actual food expense
 - Optional State Supplements (OSS) for CRCFs are paid in arrears and should be properly recorded on an accrual basis
 - Day Program and/or Supported Employment costs should not be allocated

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SCDDSN Nuances to Consider – continued

- Adult Day Program
 - Day Program costs must be allocated to ICF/IDs and State Funded Community Supports based on actual attendance
 - Day Program costs must not be allocated to other residential programs or to Waiver programs
 - Any allocations are to be shown in Allocated Costs expenses as a negative amount
 - Some Day Programs contract with other Entities for Day Program services. For those arrangements:
 - For services provided and billed, revenues should be reflected in Sub-contract services revenue
 - For services purchased, expenses should be reflected in Contracted Third-Party Services
- Adult Day Program
 - Day Program costs that are allocated to ICF/IDs must first be reduced for the following:
 - All vehicle costs – unless Adult Day Program transports all residential programs and cost for all transportation is reflected in Adult Day Program costs for all persons attending the Program
 - Vehicle depreciation
 - Vehicle loan interest
 - Vehicle lease payments
 - Vehicle supplies and fuel
 - Vehicle repairs and maintenance
 - Vehicle licenses, plates, and taxes
 - Driver salaries
 - Any other costs associated with transporting community individuals to and from the Program
 - All **operating** (not capital) revenues from sources other than SCDDSN

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SCDDSN Nuances to Consider – continued

- Intermediate Cost Centers
 - Investment income should be reported in the administrative cost center and reduce expenses allocated
 - Cost centers should be fully allocated to net zero, except for certain instances
 - Capital grant revenues should not be allocated
 - Cost settlements should not be allocated
 - Need to review cost pools to ensure costs are being captured properly.
 - Consider if other cost pools are needed - Maintenance, shared facility, transportation, residential administration, food service, etc
 - Need to review statistics used to ensure they have been properly updated.
- Administration should not be used to capture costs that should be directly charged to programs.
- Administration should not reflect staff positions that are not administrative.
- Administration should not be used to capture shared facility costs that are inappropriately allocated based on program expenses.
- Expenses used to allocate costs should be adjusted for distorting costs
- Indirect costs allocated to programs should be detailed out instead of being reflected as a single line item called "Indirect costs"

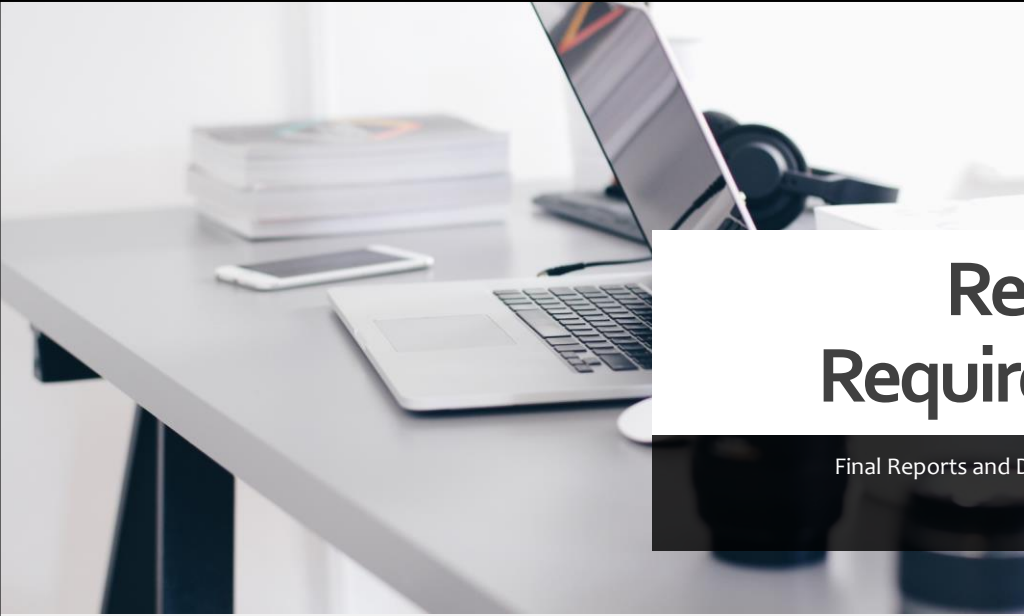
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CPE Attendance #3 -

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Reporting Requirements

Final Reports and Documents Submission

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Yellow Book Requirement

- The 2018 **Yellow Book** is effective for financial **audits**, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020
- Applies to Board and QPL Audited Financial Statements
- Should report on compliance related to SCDDSN grants and contracts
- The new standards also make it clear that preparing financial statements in their entirety from a client-provided trial balance or underlying records is considered a significant threat to the auditors' independence
- Indicators of management's ability to effectively oversee the nonaudit service include management's ability to:
 - determine the reasonableness of the results of the nonaudit service provided
 - recognize a material error, omission, or misstatement in the results of the nonaudit services provided
- Reporting on waste/abuse
 - Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight. The following are examples of waste, depending on the facts and circumstances:
 - Making travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive.
 - Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive.

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Reporting/Filing Requirements

Both Directives Contain the Following:

Document	Executive Director/CEO/ President	Chairperson of the Board of Directors, if applicable	DDSN Internal Audit	DDSN Director of Cost Analysis
Audited financial statements	Hard Copy	Hard Copy	Hard Copy	Hard and Electronic (pdf) Copy
Management letters, if applicable	Hard Copy	Hard Copy	Hard Copy	Hard and Electronic (pdf) Copy
Internal control reports, If applicable	Hard Copy	Hard Copy	Hard Copy	Hard and Electronic (pdf) Copy
RoAAP	Hard Copy	Hard Copy	Hard Copy	Not Required

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Thank You

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SCDDSN



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Report on Applying Agreed-upon Procedures(RoAAP)

As outlined in Directives 275-04-DD and 275-06-DD

PRESENTED BY: DDSN INTERNAL AUDIT

RoAAP Requirements for DSN Boards & QPLs TOPICS

1.



Due Date

3.



Amendments &
Corrective Action Plans

2.



Required Content

4.



Extensions &
Penalties

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Effective
as of
March 19, 2020

DSN Boards /QPLs can make a one time election to use a different testing period for AUP

- Example: July 1, 2019 to Dec 31, 2020 (if calendar year is desired)
- Due Annually thereafter on March 31st with testing period Jan 1 to Dec 31

Elections other than fiscal year ending June 30, 2020 must be approved by DDSN CFO

- Written request must be on letterhead and signed by ED/CEO/President
- Submitted by July 31, 2020
- Outlines the initial testing period of testing not to exceed 18 months

RoAAP's must be filed with DDSN within three(3) months of the closing month used for testing

- Using same example: Due date would be March 31, 2021

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RoAAP Requirements for DSN Boards & Contracted Service Providers (QPLs)

DSN Boards and QPLs that receive financial assistance from DDSN or a sub-grantee* with DDSN funds exceeding \$250,000 during the fiscal year ending June 30th

Due to DDSN Internal Audit within 3 months of the closing month utilized for testing

Complete Annually

Utilizes sample template and follows AICPA AU-C 530 "Audit Sampling" for testing

Reports must be completed and submitted by an independent CPA

Sub-grantee is another organization to which a DSN Board or QPL awards a sub grant and is accountable for funds received through DSN Boards and considered a recipient of DDSN funds. Sub grantees must obtain an audit in accordance to Audit Policy

QUESTION

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Have you completed a RoAPP report for a previous year?

Select one answer below:

RoAAP Required Procedures

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Test controls and procedures for Medicaid Billings **(DSN Boards & All QPLs)**

Test management of consumer personal funds and property in accordance to DDSN Directives **(DSN Boards & Only QPLs with Residential Programs)**

Conduct test to determine if ALL direct care staff are paid at least the minimum hourly wage in accordance with DDSN contract **(DSN Boards & Only QPLs with Residential Programs)**

Conduct reviews to determine if room and board has been implemented according to DDSN policy **(DSN Boards & Only QPLs with Residential Programs)**

Determine if cost charged to intermediate cost centers are adopted and in accordance with DDSN directives **(DSN Boards Only)**

Determine if procurement complies with DDSN directive **(DSN Boards ONLY)**

Determine if financial transactions by or on behalf of ED and top administrative staff are proper **(DSN Boards Only)**

Controls and Procedures for Medicaid Billings (DSN Boards & ALL QPLs)

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Audit Procedures

- Must gain an understanding of the Medicaid billing process and controls over billable services.
- Must perform sufficient work to determine if the policies and procedures are adequate to provide assurances that services are properly supported.
- Must use a representative sample for all persons for **each** billable service area for which payments are received from DDSN or DHHS.
 - Test should determine that supporting documentation are complete and accurate
- Understand and test monitorship and that it is provided and properly documented and supervised

Best Practices

- Consult with program staff and supervisors to increase knowledge base.
- Review service notes, phone contacts, etc. to monitor each program.

Sample Findings

- Five consumers were marked present on the day roll book for various dates for AM and PM services, while Therap had no activity noted. The client had the consumer marked present on an activity sheet.
- One consumer was routinely marked present for units, but did not seem to meet the hourly requirement to be marked present.
- During our review of Case Management, we noted two consumers had over sixty days between case notes
- The service notes indicated that a conversation was held between the case manager and the consumer at his career preparation placement. However, the service note did not reflect it as face-to-face.

Medicaid Billing continued...

Controls & Procedures for EI Billing(DSN Boards & QPLs)

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Audit Procedures

- Must gain an understanding of the Medicaid billing process and controls over billable services.
- Must perform sufficient work to determine if the policies and procedures are adequate to provide assurances that services are properly supported.
- Must use a representative sample for all persons for **each** billable service area for which payments are received from DDSN or DHHS.
 - Test should determine that supporting documentation are complete and accurate
 - Understand and test monitorship and that it is provided and properly documented and supervised
- **This program includes DDSN, Medicaid Billings & HHS BabyNet Billings**

Best Practices

- Consult with program staff and supervisors to increase knowledge base.
- **Ensure service notes and family training sheets are reviewed for each family training visit.**
- **Review at least 2 files monthly per EI Interventionist and 1 quarterly per EI Interventionist.**
- **For Case Management, ensure service notes are documented.**
- **Review service notes, family training sheets to ensure services are being provided as authorized**
- Review service notes, phone contacts, etc. to monitor each program.

Sample Findings

- We noted that one hour for one consumer was billed without having a Family Training Sheet on file.

Consumer Funds and Personal Property Management (DSN Boards & QPLs with Residential Programs)

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Part I: Consumer Funds

Audit Procedures

- Determine if DSN Boards or QPLs policies and procedures are adequate and are in compliance with DDSN Directive 200-12-DD
- Select a **representative sample** of accounts and transactions to ensure proper coverage.
- Promptly report any misappropriation of funds or falsification of records to Executive Director and DDSN Internal Audit

Best Practices

- Bank accounts are set up to show fiduciary relationship between individual and Provider, per SSA guidelines
- Bank signature cards are updated as required by staff changes.
- Bank reconciliations are timely and conducted by independent party.
- Provider maintains original receipts for purchases made on behalf of individuals.
- Cash on hand is reconciled monthly by an independent party.
- Cash on hand is **adequately** secured.
- Asset limits do not exceed Medicaid limits (i.e. ABLE, Pooled Trust accounts).
- If Provider utilizes Collective Account ensure is approved by SSA and DDSN.
- Utilize templates and charts in RoAAP

Sample Findings

- Three of the 250 checks we reviewed were missing the consumer's signature.
- Four consumers exceeded the established limits mandated by Medicaid for at least two consecutive months.
- Nine checks for three consumers did not contain the required number of signatures.
- No Cash on Hand monitoring is performed. Any leftover spending cash is kept by the consumer.
- A copy of the bank signature card is not on file in the consumer's permanent files.
- Eight bank statements for four consumers were not reconciled within twenty days.

Consumer Funds and Personal Property Management (DSN Boards & QPLs with Residential Programs)

44

Part II: Personal Property

Audit Procedures

- Determine if DSN Boards or QPLs policies and procedures are adequate and are in compliance with DDSN Directive 604-01-DD.

Best Practices

- Review the additions of property items costing \$100 (effective November 1, 2017) or per the provider's policy and ensure entries recorded on the PPRs.

Sample Findings

- Consumers had an item or items that cost \$50 (per Provider policy) or more located in their room that was not listed on their personal property record.
- Consumers' PPRs did not include adequate descriptions and/or serial numbers.
- Additions/deletions are not added to PPR timely.

Direct Care Staff Minimum Pay (DSN Boards & QPLs with Residential Programs)

45

Audit Procedures

- Determine that DSN Boards /QPLs is paying ALL direct care staff the established minimum hourly wage in accordance with DDSN requirements for all hours worked:
- Test minimum pay rate,
- Ensure the timing of pay rate increase is on the first date in July,
- Verify if direct care staff paid less than \$13 per hour meets requirements not to exceed 90 days or there is a written exception approved by DDSN.

Best Practices

- Review, at a minimum, two (2) pay periods to test proper rate.

Sample Findings

- Of the Direct Care Staff, one was not paid the established minimum salary or hourly wage in accordance with the DDSN contract.
- Vocational trainers (i.e. day program staff) were not considered as direct care staff and did not get mandated hourly increase.

Room and Board (DSN Boards & QPLs with Residential Programs)

46

Audit Procedures

- Determine that the DSN Boards and QPLs have established a room and board policy for fees charged that have been reviewed and approved by BOD, if QPL has a BOD.
- Obtain documentation of the DDSN approved room and board rates utilized during the fiscal year.
- The CPA must familiarize themselves with the policy and the approved rates.

Best Practices

- Review actual charges made to persons to ensure that they comply with the policy and do not exceed the approved room and board rates.
- Sample persons' move-ins and move-outs and verify that room and board charges were properly applied. The CPA is testing the proper proration of the room and board charge.

Sample Findings

- Room and Board Policy for consumers' fees had been reviewed and approved by Board of Directors, but was not approved by DDSN.
- Room and Board payments exceeded approved room and board fees.
- Room and board fees paid in advance more than 30 days.
- Improper calculation of room and board for partial month (i.e. move outs, transfers)

Cost Allocation (DSN Boards Only)

47

Audit Procedures

- The CPA must determine if the cost allocation plan submitted to and approved by DDSN has been properly implemented.
- The CPA must review the cost allocation plan being used by the Provider to determine if a revised plan needs to be submitted to DDSN for approval due to any changes to the basis used to allocate costs or for the addition or deletion of intermediate cost pools.
- The CPA must review the DSN Board's general ledger to determine that the costs charged to the intermediate cost centers do not include program costs. The CPA is only expected to review transactions that are significant to the cost pool being reviewed. A review of salary and fringe benefit allocations to intermediate cost pools should be completed.

Best Practices

- Review the existing intermediate cost pools being used to ensure they permit the DSN Board to properly allocate costs. For example, intermediate cost pools such as maintenance, transportation, shared facility, residential administration, nursing, quality assurance, etc should be considered.

Sample Findings

- DSN Board added a new residence during the year, but did not update the cost allocation properly to reflect its addition.
- The annual premium for workers compensation for the entire year was charged to administrative costs instead of being allocated to each program directly.
- The maintenance personnel are being recorded to administrative costs resulting into inappropriate allocation of cost to programs.
- Day Program costs are being allocated to programs incorrectly. Vehicle costs are not being removed from costs being allocated and amounts are being allocated to programs incorrectly.

Procurement Policy (DSN Boards ONLY)

48

Audit Procedures

- Determine that the DSN Board has established a procurement policy that has been reviewed and approved by the Board of Directors.
- The CPA must perform tests to determine if the DSN Board's procurement policies and procedures are in compliance with the Directive 250-08-DD.
- The CPA must determine if standards of conduct are included that require the members of the Board of Directors, Executive Director, President/CEO, people working in the finance department, procurement staff, and staff reporting to the Executive Director/President/CEO to provide signed statements to disclose potential conflicts of interest and to acknowledge/prevent potential conflicts of interest and confirm they are on file.

Best Practices

- Provider policy is approved by Board of Directors and coincides with DDSN directive.
- Completed/signed Conflict of Interest Statements are on file for all Board members, ED, and key staff (i.e. direct reports to ED, Finance and Procurement staff).

Sample Findings

- For three service contracts (pest management, computer support, and financial services) were either not bid properly at inception or were renewed/continued without rebidding the applicable service.
- Provider management did not follow proper procedures to ensure that all procurement transactions were conducted in a manner that provided open and free competition.
- Vehicles purchased during the audit period were not purchased according to the Provider's procurement policy.
- We found one purchase order that was approved 7 business days after the purchase.
- The Board's procurement policy does not address Board members and key staff being required to provide signed statements to acknowledge/prevent potential conflicts of interest. There was a signed statement on file for the Executive Director, but none were on file for the Board members and other key staff.

Key Staff Financial Transactions (DSN Boards Only)

49

Audit Procedures

- The CPA must select a representative sample of financial transactions made by or on behalf of the Executive Director and top administrative staff (i.e., travel, credit cards, personal use of agency owned vehicles, etc.).
- Determine if transactions are proper and any tax reporting is properly reported.

Best Practices

- Review expenditures for ED and key staff, to include:
 - Credit Cards,
 - Travel reimbursements,
 - Benefits appropriately reported for tax consequences.

Sample Findings

- The ED assigned a new Chevrolet Tahoe with many options costing \$35,990 to the EI Supervisor. The vehicle purchase was noted in the Provider Board of Director (BOD) minutes, but no purpose or employee assignment of the vehicle was mentioned.
- The ED allowed employees to utilize agency vehicles for commuting purposes without any taxable consequences. The benefit for driving these vehicles has not been added to the employees' W-2 earnings as required by the IRS.
- Personal purchases were charged to Provider credit card.

QUESTION

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How would you describe your position with your organization?

Select one answer below:

Other Report Requirements

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Content

- Utilize sample templates when preparing RoAPP
- Due date determined by scope of report
- Completed report should be filed with DDSN and received within five (5) business days of the due date
- **Amendments** to reports, when necessary, must be prepared by the audit firm and redistributed per policy



Audience

- Reports should be addressed to the governing board or management if the provider does not have a Board of Directors



Distribution

- Hard copies of the completed RoAPP report should be sent to the
 - ED/CEO or President of the provider
 - Chairperson of BOD, if applicable and
 - DDSN Internal Audit

Things to Know

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RoAPP Report Extensions

- Extensions on time to file must be submitted to Director of Internal Audit, if needed. Request must be received at least **15 business days** prior to the due date
 - In writing
 - On Provider's letterhead
 - Signed by ED, CEO or President
- Approved only due to extreme circumstances

Corrective Action Plans (CAP)

- Must be submitted if report identifies material weaknesses, significant deficiencies, findings or questioned cost
- Provider must address and resolve identified problems or submit a statement of reasons why no corrective action is necessary
 - CAP must be prepared on Provider letterhead
 - Signed by the ED, CEO or President
- Must include specific dates when deficiencies will be corrected
- Submitted to DDSN Internal Audit within **20 business days after** issuance of report
 - It is recommended that CAP be submitted with issued report.
- Copies of documents that clarify the resolution of deficiencies must be included i.e. found missing receipts, relevant Service Error Correction forms, logs, etc.

CAP Extensions

- Request for extensions to file CAP must be submitted to DDSN Internal Audit at least **15 business days prior** to the due date for CAP
 - In writing
 - On Provider's letterhead
 - Signed by ED, CEO or President
- Approvals granted due to extreme circumstances only

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Late Reports/Corrective Action Plans

Providers are encouraged to submit RoAPP report and CAP on time to avoid contract reductions.

Contract reductions occur when the RoAPP report or CAP is past due.

- If **RoAPP** report is not received within five (5) business days, including extensions, or
- If **CAP** is not received within 20 business days of the due date

The providers contract reduction of \$100 per calendar day will be assessed until received by DDSN Internal Audit or a maximum of \$2500 has been assessed which will subsequently be deducted from future payments to the provider.

QUESTION

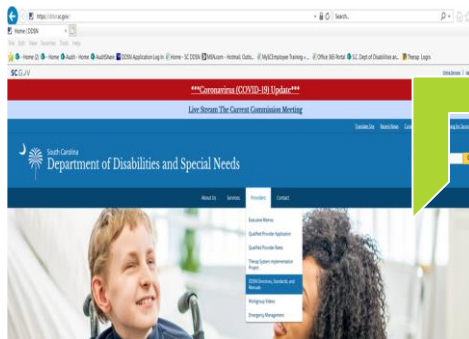
54

After the quarantine is lifted, where would you want to go out to eat?

Select one answer below:

RESOURCES for RoAPP

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DDSN Website

- ddsn.sc.gov
- Directives
 - 275-04-DD, 275-06-DD, etc.
- Standards
 - Residential & Day Services, other Major Medicaid Programs, etc.
- Manuals
 - IDRD Waiver, Finance, EI, etc.

Stay up-to-date by developing a review process as Directives, Manuals and Standards may be periodically updated

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RoAAP Filing & Support Info

Mail:

DDSN Internal Audit
3440 Harden Street Extension (29203)
P O Box 4706
Columbia, SC 29240

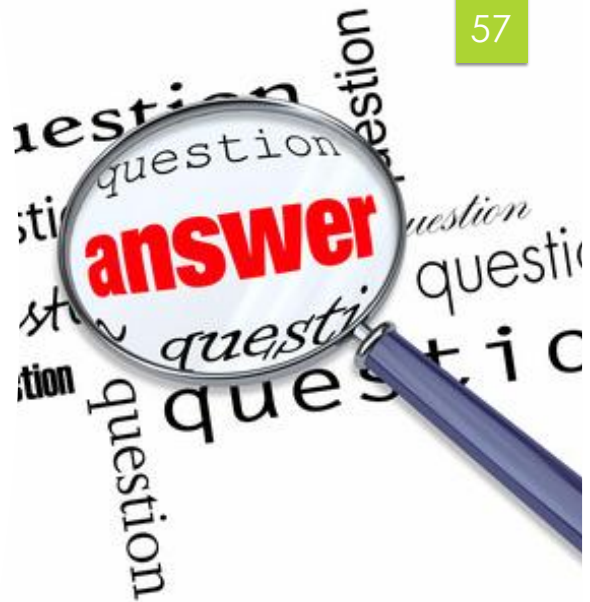
Email:

Kevin Yacobi KYacobi@ddsn.sc.gov
Brian Nanney BNanney@ddsn.sc.gov

Phone:

803.898.9774

What
questions
do you
have?



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